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CENTRAL INTELLIGENCE AGENCY

3 September 1955

MEMORANDUM FOR: Mr. Allan Evans (OIR)  
Colonel H. J. Lemley, Jr., USA (G-2)  
Captain B. E. Wiggin, USN (ONI)  
Colonel Willis B. Sawyer, USAF (AFOIN-2B2)  
Colonel John E. Leary, USA (JIG)

SUBJECT : Terms of Reference for Over-all Cost Study  
of Soviet Military Effort

1. The IAC Representatives have approved the attached Terms of Reference, which should be considered as partial terms of reference for the next over-all Soviet estimate. The actual cost study will be carried out by O/RR under the supervision of an ad hoc committee which will (a) act as a steering committee to deal with any problems arising in the course of the study; (b) serve as a liaison channel between O/RR and their agencies; and (c) review and informally coordinate each phase of the study. The tentative list of agency representatives is as follows:

JIG -- Capt. Ralph Metcalfe  
John Easton (alternate)

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G-2 -- Lt. Col. Delaney

State - Howard Wiedemann

Navy - Cdr. O. P. Hughlett  
Mr. Bennett Davis (alternate)

USAF - John Allums  
John C. McClelland (alternate)

2. Geographic Coverage. The initial study will be Bloc-wide in scope because of the necessity of handling the intra-Bloc transfer problem. However, the final contribution to the next Soviet NIE will be limited to the USSR if desired, and the other Bloc portions would then be available (as a useful byproduct) to support our 1956 estimates on the European Satellites and Communist China.

3. Timing. The costing study should be completed in time to contribute to the next over-all Soviet NIE, now tentatively scheduled for 1 June 1956. To meet this deadline the following schedule was accepted:

Complete O/RR draft of Phase One - 1 January 1956  
Complete Ad Hoc Representatives Review of Phase One -  
1 February 1956  
Complete O/RR draft of Phase Two - 15 March 1956  
Complete Ad Hoc Representatives Review of Study -  
1 April 1956.

*Paul A. Borel*

PAUL A. BOREL  
Acting Assistant Director  
National Estimates

Distribution "B"

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CENTRAL INTELLIGENCE AGENCY

3 September 1955

SUBJECT: TERMS OF REFERENCE FOR COSTING STUDY OF ESTIMATED BLOC  
MILITARY PROGRAMS 1956-1961 (PARTIAL TERMS OF REFERENCE  
FOR 1956 OVER-ALL SOVIET NIE)

PROBLEM

To prepare an over-all systematic costing of estimated past and projected Soviet military programs 1946-1961, with a view to improving our estimates of: (a) Bloc military expenditures; (b) future Soviet military programs; (c) Soviet economic capabilities to meet these programs; and (d) the impact of such programs on Soviet economic growth.

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PHASE ONE

Historical Analysis of Defense Outlays, 1946-1955

I. MILITARY PROGRAMS AND PRODUCTION 1946-1955

(To be assembled from published intelligence, filling in gaps only where necessary.)

A. Historical composition of major components of the Sino-Soviet Bloc military forces, including order-of-battle by year through the period (by country and military service).

B. Production of major items of equipment and items essential to the support of Bloc military programs for the period.

C. Organization of the Sino-Soviet Bloc military forces.  
Relation of Satellite and Chinese Communist forces to those of the USSR.

D. Status of Bloc military base facilities during the period.

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II. ECONOMIC REQUIREMENTS TO SUPPORT THE MILITARY PROGRAM

A. The initial costs and annual operating costs of the weapons and weapon systems for Bloc military programs. Price data should be provided for as many of the major items of equipment as possible.

(The various demands should be accumulated in categories reflecting sectors of origin.)

B. Rates of utilization for equipment, weapon systems, facilities, and the efficiency of maintenance and training.

C. Logistic requirements for various weapon systems utilized by the military forces during the period.

D. Economic requirements for the research and development and investment programs necessary to support the military program of the Bloc.

E. Types of support units necessary for the operation of the military programs.

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III. MILITARY ASSISTANCE PROGRAMS AND INVENTORIES

A. Nature and extent of military assistance programs between members of the Bloc.

B. Composition and quantity of military stocks during the period.

IV. SUMMARY

(To be an integrated statement of historical Sino-Soviet military expenditures and relation of these expenditures to other historical aggregative series.)

PHASE TWO

Estimate of Bloc Defense Costs, 1956-1961

(Detailed terms of reference for PHASE TWO will be issued when PHASE ONE is completed, so that we can draw on the experience of the first phase. The following is merely an outline.)

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In order to permit going ahead with the study, these programs should be assembled from existing estimates such as NIE 11-3-55 and NIE 11-5-55 which go to 1960, with any major gaps filled in by the services to the extent feasible. The projections for 1961 will have to wait until appropriate estimates for the next Soviet NIE are available (O/NE proposes to ask for these by 1 March to permit completion of the cost study by 1 April).

**II. ECONOMIC REQUIREMENTS TO SUPPORT MILITARY PROGRAMS**

- A. Initial Outlays
- B. Annual Operating Expenses
- C. Military Hard Goods Procurement

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III. ECONOMIC CAPABILITIES TO SUPPORT ABOVE PROGRAMS

A. Over-all

B. Key Bottleneck Areas (if any)

IV. SUMMARY

N.B. The analysis of the implications of the above costing study in terms of its impact on: (a) probable military expenditures; (b) probable military programs; and (c) probable rates of economic growth will not be a part of the costing study proper because it involves consideration of a broader range of factors than those covered in the costing study above. This analysis should be done subsequently as part of the regular NIE process.

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